

STANDARD FORM NO. 64

EYES ONLY

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Richard M. Bissell, jr.

DATE: 21 FEB 1955

FROM : Deputy Director of Security (Investigations and Support)

SUBJECT: Project AQUATONE
#116017-B

1. Reference is made to your verbal request to have certain sensitive material delivered to Hycon Corporation, Los Angeles, California, through the means of Security Office facilities.

25X1

2. This is to advise that said material was delivered to Mr. Acker by a representative of this office on 7 February 1955. The attached receipt will serve to identify the documents delivered and will further confirm delivery.

FOR THE DIRECTOR OF SECURITY:

25X1

Attachment:
1 Receipt (Original)

SS

25X1

SECRET

EYES ONLY

25X1

TO:

First revision 2-16-55

FROM:

SUBJECT: CONTRACT PROPOSAL

The objective you expressed is to utilize insofar as is in keeping with military security requirements, the clauses specified in Armed Services Procurement Regulation for Fixed-Price Supply Contracts. A basic contract along those lines will be entered into between the United States Government and The Perkin-Elmer Corporation, to cover the work called for by a technical proposal to be attached to the basic contract. Since the basis of our security is a complete disassociation of the Government and the Project, a commercial form of purchase order will be placed with Perkin-Elmer through International Survey Corporation an agency of the U. S. Government, for Perkin-Elmer to "perform work according to its agreement dated (_____).

Perkin-Elmer will treat the purchase order as an ordinary commercial order without military security restrictions and without imposing upon its vendors the usual government contract provisions, although in the cases of Hycon and Spica, where the government's interest is already known, it will likely enter into basic contracts substantially identical to its own, with similarly innocuous covering purchasing orders which incorporate the basic agreements by reference.

The basic agreement will most likely be a fixed price contract without price revision, and because of the unusual device of a straw corporation and the need for several deviations from Armed Services Procurement Regulation, it should be signed on behalf of the Government by an executive officer of at least cabinet rank. The terms acceptable to Perkin-Elmer are as follows:

I. CLAUSES SPECIFIED BY ASPR

Listed below are the ASPR numbers and titles of clauses which are acceptable to Perkin-Elmer insofar as comments indicate to the contrary, in keeping with the foregoing security objectives.

25X1

CONTAINS SENSITIVE
COMPARATIVE INFORMATION

7-103.1 Definitions

7-103.2 Changes

7-103.3 Extras

7-103.4 Variation in Quantity

7-103.5 Inspection

Contractor should only be required to meet standard commercial practices. If the Government is permitted to inspect or test supplies during their manufacture at the plant of the contractor or a subcontractor, and if the contractor is required to maintain a Government quality control system and keep records on inspection, then the Government's interest cannot be concealed and the security reverts to standard military practice which is deemed insufficient for this purpose.

7-103.6 Responsibility for supplies

7-103.7 Payments

7-103.8 Assignment of claims

7-103.9 Additional Bond Security

7-103.10 Federal State and Local Taxes (11-401)

The contractor shall pay taxes, customs duties and the like as would be done in commercial transactions and shall be entitled to reimbursement therefore without being required to seek Tax Exemption Certificates.

7-103.11 Default

7-103.12 Disputes

7-103.13 Notice and Assistance Regarding Patent Infringement (9-102)

7-103.14 Buy American Act

Exemptions are required for any purchases the contractor deems appropriate to make abroad.

7-103.16 Eight-Hour Law of 1912 (12-303.1)

The contractor shall not be required to impose this provision upon its subcontractors for security reasons.

The elimination of this provision in subcontracts does not mean

that the Government or the Perkin-Elmer Corporation condones infraction of the act but rather that the act, if enforced, is to be enforced through some other mechanism than the contract.

7-103.17 Walsh-Healy Public Contracts Act (12-604)

The contractor shall not be required to impose this provision upon its subcontractors, for security reasons.

7-103.18 Nondiscrimination in Employment (12-804)

Delete subparagraph (b)

7-103.19 Officials not to benefit

7-103.20 Covenant against contingent fees.

7-103.21 Termination for Convenience of the Government (8-701)

The Contractor need not impose these terms upon its subcontractors but as an alternative will provide that the Contractor may elect to cancel the subcontract at any time, and in the event of cancellation an audit by an independent public accountant will be accepted by the parties as a conclusive determination of the amount to be paid to the subcontractor, which amount would include a reasonable allowance for profit on work done.

7-104.5 Filing of patent Applications (9-104)

7-104.7 Patent Rights (9-107.1)

Delete subparagraphs (f), (g) and (h)

7-104.8 Reporting of Royalties (9-103)

7-104.9 Copyrights (9-202)

— 7-104.10 Renegotiation Act.

Delete subparagraph (b) or any provision in a renegotiation article which requires the contractor to insert the provision in subcontracts.

7-104.12 Military Security Requirements

Special provision is to be made for orders and other documents

from Internat. Survey Corporation are to be unclassified.

7-104.14 Utilization of Small Business Concerns

7-104.16 Gratuities

7-104.17 Convict Labor (12-203)

7-105.3 Notice to the Government of Labor disputes.

7-105.4 Notice of Shipments ✓ 7-4004 AFPS

7-105.6 Authorization and Consent (9-106)

Delete "necessarily" in "(ii)".

13-502 Government Furnished Property

Delete last sentence of subparagraph (c). Subparagraph (g) shall not be construed to bring under the supervision of military property control personnel any property furnished by the Government under this contract.

II. OTHER PROVISIONS AND PRECAUTIONS

A. Subcontracts.

Subject to approval as to sources.

B. Inspection and Audit

An audit by the Contractor's independent public accountants shall be accepted as a final audit by the Government, without being subject to rejection or revision by the Comptroller General. The General Accounting Office shall have no right to inspect the books and records of the Contractor or any subcontractor; other Government agencies will be permitted such inspection as the Contracting Officer shall authorize in writing to the Contractor.

C. DO Rating

None shall apply.

D. Partial Payments.

Authorized to extent of 100% of the cost to the contractor of the property and services, including labor, material and overhead, upon which payment is made.

SPO	Item Description	Purchased Component	L & OH	G & A Selling 13%	Profit 12%
21033	1. Glass Testing <i>Report</i>	\$1,373.00	\$1,945.50	\$433.50	\$450.00
	2. Material & Tooling	52,475	1,903.00	7,069.00	7,374.00
	3. 66 Windows A		7,110.00	924.00	964.00
	4. 33 Windows B		3,571.00	461.00	484.00
	5. 7 Windows C		772.00	100.00	105.00
	6. 14 Windows D		1,544.00	200.00	210.00
	7. 14 Windows E		1,544.00	200.00	210.00
	8. 14 Windows F		1,544.00	200.00	210.00
	9. 14 Windows G		12,489.00	1,624.00	1,694.00
	10. 7 Windows H		5,687.00	739.00	771.00
21136	1. Prelim. Eng. Layout Data Camera	\$25,000.00	\$10,000.00	\$4,550.00	\$4,746.00
	2. Advanced Eng. Layout	25,000.00	7,000.00	4,160.00	4,339.00
	3. Prototype Camera	25,000.00	2,500.00	3,575.00	3,729.00
	4. Assy. Production Camera	25,000.00	2,500.00	3,575.00	3,729.00
	5. Test & Eval. 1st Unit <i>to this field data</i>	10,000.00		1,300.00	1,356.00
	6. Engineering Drawings	5,000.00		650.00	678.00
	7. 19 Data Cameras <i>11.6</i>	275,924.00		22,870.00	23,855.00
	8. Spare Parts	5,500.00		715.00	746.00
21211	1. Image Evaluator <i>who want it?</i>	\$4,000.00	\$7,500.00	\$1,495.00	\$1,560.00
	2. Report		2,500.00	195.00	203.00
21257	1. JGB Consulting \$30 pr. hr. <i>What is the leading</i>		\$31,374.00	\$4,468.00	\$4,668.00
	2. Optical Design Spec. Eq ip. <i>of equipment</i>	\$12,642.00		1,613.00	1,715.00
21293	1. Eng. Design 36" f/10		\$5,328.00	\$693.00	\$723.00
	2. First Prototype	2,963.00	5,328.00	1,044.00	1,089.00
	3. Glass for 6 Lenses <i>29000/6mm</i>	37,217.00		4,838.00	5,047.00
	4. Fabrication of 6 Lenses		6,123.00	796.00	830.00
	5. Engineering Report		117.00	54.00	57.00
21372	1. Design Periscope		\$21,860.00	\$4,532.00	\$4,727.00
	2. Prototype	\$15,247.00	3,071.00	3,032.00	3,162.00
	3. Periscopes (20) <i>labor too high</i>	20,253.00	2,000.00	26,540.00	27,683.00
	4. Spare Parts	18,000.00		2,340.00	2,441.00
21390	1. Design Computer		\$143,270.00	\$13,516.00	\$14,098.00
	2. Prototype & Computer <i>needed this information</i>	\$7,000.00	97,898.00	13,116.00	13,681.00
	3. Spares <i>to this computer</i>	24,000.00	10,000.00	1,820.00	1,898.00
21408	1. Test 85 24" f/6 Lenses & select 50	\$15,900.00	\$8,700.00	\$3,198.00	\$3,336.00
	2. Disassemble & rework & test 50	1,250.00	12,500.00	2,050.00	2,138.00
	3. Test, select & rework filters	1,000.00	3,350.00	565.00	590.00
21424	1. Eng. Design 24" f/8 Lens		\$4,899.00	\$637.00	\$664.00
	2. Prototype	874.00	6,299.00	932.00	973.00
	3. Glass & Tooling	24,000.00		11,811.00	12,341.00
	4. Fabrication 54		38,350.00	4,986.00	5,200.00
	5. Eng. Report		417.00	54.00	57.00
21446	1. Material for Quartz Mirrors & Tooling	\$21,954.00		\$2,854.00	\$2,977.00
	2. Eng. Study & Design of Mirrors & Mounts		\$18,404.00	2,393.00	2,496.00
	3. Mfg. 31 Mirrors & Mounts	20,800.00	32,214.00	6,896.00	7,253.00

Summary
Price and Delivery Schedule
Project

Price	April	May	June	July	August	Thereafter
\$4,200.00	\$4,200.00	68,821.00		\$ 818.00	\$8,180.00	\$ 136.33
68,821.00				411.00	4,108.00	136.94
1,998.00					977.00	139.60
1,519.00					1,954.00	139.60
977.00					1,954.00	139.60
1,954.00					1,954.00	139.60
1,954.00					15,807.00	1,129.00
15,807.00					7,197.00	1,027.00
7,197.00						
\$44,296.00	\$44,296.00	\$40,499.00	\$34,804.00	\$34,804.00	\$12,656.00	\$6,328.00
40,499.00						222,649.00
34,804.00						6,961.00
34,804.00						
2,656.00						
2,328.00						
221,649.00						
2,961.00						
\$11,555.00	\$11,555.00	1,898.00				
1,898.00						
\$10,500.00	\$10,500.00		\$6,000.00	\$6,000.00	\$21,000.00	
8,000.00				8,000.00		
\$6,744.00				\$6,744.00		
10,166.00				10,166.00		
\$47,102.00						
7,749.00						\$1,291.50
528.00						528.00
\$44,119.00				\$44,119.00	\$29,515.00	\$258,376.00
29,515.00						22,781.00
258,376.00						
22,781.00						
\$11,584.00						\$131,584.00
127,687.00						127,687.00
17,718.00						17,718.00
\$31,134.00						\$19,958.00
19,958.00						9,505.00
\$6,200.00						9,078.00
\$115,182.00						48,536.00
48,536.00						528.00
\$27,785.00						23,293.00
23,293.00						67,137.00
67,137.00						

Summary - Cost, Items, Price & Delivery Schedule - Projector Project.

SFO	Item Description	Purchased Component	L & OH	G & A & Selling 13%	Profit 12%
23970	1. Project Coordination Services Billed Monthly	\$15,000.00	\$80,000.00	\$12,350.00	\$12,882.00
•	Optics & Assy Config. C *	\$25,000.00	\$117,225.00	\$18,490.00	\$19,285.00
•	Optical Test Equip, amt * & Design thereof	\$35,000.00	\$444,020.00	\$10,266.00	\$10,714.00
	Total Ex-Hycon	\$701,282.00	\$921,744.50	\$210,970.50	\$220,070.00
24264	1. Hycon Prelim. Eng.	\$23,821.00		\$ 715.00	\$1,227.00
24329	Hycon:				
	1. Systems Engineering	\$66,886.00		\$2,007.00	\$3,445.00
	2. 1st Unit Config. A-1	141,221.00		4,297.00	7,376.00
	3. 8 Config. A-1	328,925.00		9,748.00	16,734.00
	4. 1st Unit Config. A-2	18,583.00		1,155.00	1,983.00
	5. 8 Addit. Config. A-2	285,326.00		7,060.00	12,119.00
	6. Squares for A-1 & A-2	212,887.00		6,387.00	10,964.00
	7. Design Config. B.	105,000.00		3,150.00	5,441.00
	8. 1st Config. B	103,112.00		3,093.00	5,310.00
	9. 4 Config. B	147,040.00		12,211.00	20,963.00
	10. Spares	220,581.00		6,617.00	11,360.00
	11. Design Config. C *	160,000.00		4,800.00	8,240.00
	12. 1st Config. C *	160,195.00		4,806.00	8,250.00
	13. 4 Config. C *	632,213.00		19,146.00	32,868.00
	14. Spares *	202,763.00		6,083.00	10,442.00
	15. Ground Handling	532,970.00		15,989.00	27,448.00
	16. Handbooks	55,726.00		1,672.00	2,878.00
	Total Hycon	\$3,631,169.00		\$108,936.00	\$187,040.00
	Grand Total	\$4,332,451.00	\$921,744.50	\$319,906.50	\$407,118.00

LCA:KC
April 85, 1955.

<u>Price</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Thereafter</u>
\$120,232.00	\$16,855.00		\$2,000.00	\$9,000.00		\$86,177.00
\$180,000.00						\$180,000.00
\$100,000.00						\$100,000.00
^{3 968} \$2,051,844.00						
\$25,763.00						
\$72,338.00			\$15,338.00			\$57,000.00
154,897.00				\$154,897.00		
351,407.00						351,407.00
41,641.00						41,641.00
254,505.00						254,505.00
230,238.00						230,238.00
113,591.00				113,591.00		
111,515.00						111,515.00
440,214.00						440,214.00
238,558.00						238,558.00
173,040.00				173,040.00		
173,251.00						173,251.00
690,226.00						690,226.00
219,286.00						219,286.00
576,407.00						576,407.00
60,268.00						60,268.00
\$3,927,115.00						
^{1 13} \$5,981,212.00	\$97,606.00	\$111,218.00	\$258,560.00	\$567,790.00	\$42,171.00	\$1,878,005.00

Billings this
Fiscal Year
\$1,060,987.00